

Asbestos Corporation Limited
Société Asbestos Limitée

Annual Report 1977

AR47

ASBESTOS

Directors

W. A. ARBUCKLE ⁽¹⁾ ⁽²⁾ ⁽³⁾
Chairman, Celanese Canada Limited
Montreal

P.-E. AUGER, Eng., Ph.D.
Consultant Geologist
Quebec

A. M. CAMPBELL ⁽¹⁾ ⁽³⁾
Chairman
Sun Life Assurance Company of Canada
Montreal

M. P. CARSON,
Executive Vice-President
Montreal

R. A. DUGRÉ
President, École de
technologie supérieure
Montreal

G. W. FISKE ⁽¹⁾ ⁽³⁾
Executive Vice-President – Commercial
General Dynamics Corporation
St. Louis, Missouri

F. R. KEARNS ⁽¹⁾ ⁽²⁾
President, Canadair Limited
Montreal

G. E. MacDONALD ⁽¹⁾ ⁽³⁾
Executive Vice-President – Finance
General Dynamics Corporation
St. Louis, Missouri

M. J. O'BRIEN ⁽²⁾
President, Marblehead Lime Company
Chicago, Illinois

W. G. SULLIVAN ⁽¹⁾ ⁽³⁾
Vice-President – Industrial Relations
General Dynamics Corporation
St. Louis, Missouri

M. E. TASCHEREAU ⁽¹⁾
President and Chief Executive Officer
Montreal

Executive Officers

G. W. FISKE
Chairman

G. E. MacDONALD
Vice-Chairman

M. E. TASCHEREAU
President and Chief Executive Officer

M. P. CARSON
Executive Vice-President

W. H. FOSTER
Vice-President – Operations

A. S. JOHNSON
Vice-President – Sales

G. A. McCAMMON
Vice-President – Finance

J. M. ROUSSEAU
Secretary and General
Counsel

Transfer Agents and Registrar:
The Royal Trust Company
Montreal, Toronto and Calgary

Auditors:
Price Waterhouse & Co.
Montreal

Head Office

1940 Sun Life Building
1155 Metcalfe Street
Montreal, Quebec, Canada H3B 2X6

and subsidiary companies:

ANCHOR HOLDINGS LIMITED
(Incorporated under the laws of the
Bahama Islands, 25 January 1962)

ASBESTOS CORPORATION GmbH
(Incorporated under the laws of the
Federal Republic of Germany, 4 July 1970)

ASBESTOS CORPORATION
SERVICES LIMITED
(Incorporated under the laws of
Canada, 6 July 1960)

GENERAL MINERALS
BENEFICIATION LIMITED
(Incorporated under the laws of
Canada, 20 January 1953)

HUDSON STRAIT ASBESTOS
LIMITED
(Incorporated under the laws of
the Province of Quebec, 17 January
1963)

MINOREX LIMITED
(Incorporated under the laws of
Canada, 19 March 1951)

(1) — Member of the Executive Committee

(2) — Member of the Audit Committee

(3) — Member of the Compensation Committee

AR47

**Asbestos
Corporation
Limited**



Unaudited statement of income
six months ended
July 2, 1977

ASBESTOS CORPORATION LIMITED
1940 Sun Life Bldg., 1155 Metcalfe St.,
Montreal, Quebec H3B 2X6

Montreal, Quebec
August 19, 1977

To the Shareholders:

The unaudited, consolidated comparative statements of earnings and changes in financial position for the six-month period ended July 2, 1977, are submitted herewith.

Net earnings were \$10.7 million on sales of \$80.3 million compared to \$12.2 million on sales of \$74.6 million last year. During the six-month period, long term debt was reduced by \$3.6 million to \$23.6 million and working capital increased by \$6.9 million to \$65.9 million.

Expenditures on new environmental control equipment were \$3.5 million in the first half of 1977, compared to \$0.9 million in the same period last year reflecting the Company's continuing commitment to improve working conditions in our plants and the surrounding environment. Significant improvements have resulted; however, major capital outlays are still required to meet the environmental standards proposed by the Federal and Provincial governments.

The cost of operations increased as a result of inflation, the change in operations whereby King-Beaver open pit ore is now being processed at the Normandie Mill, and the increased provision for Workmen's Compensation costs.

Export sales prices for asbestos cement grades of fibre from Thetford were increased on July 1, 1977, by an average of 8.5%.

On August 8, 1977, the Directors declared a regular quarterly dividend of \$0.25 per share plus an extra dividend of \$0.25 per share, both payable on September 30, 1977, to shareholders of record September 10, 1977.

M. E. Taschereau
President and Chief Executive Officer

Unaudited consolidated statement of earnings,
subject to year-end adjustment

	Six Months Ended	
	July 2, 1977	June 26, 1976
Sales	\$80,310,700	\$74,563,700
Cost of sales before taking into account the undernoted items	<u>52,391,200</u>	<u>46,528,200</u>
Operating profit	\$27,919,500	\$28,035,500
Other income	<u>1,600,600</u>	<u>1,062,900</u>
	\$29,520,100	\$29,098,400
Provision for depreciation	4,646,000	4,125,600
Provision for depletion	878,800	566,500
Amortization of mine development	454,500	388,800
Amortization of debenture issue expense	9,500	67,100
Interest expense	<u>1,285,100</u>	<u>1,556,600</u>
	\$ 7,273,900	\$ 6,704,600
	\$22,246,200	\$22,393,800
Estimated taxes on income	<u>11,500,000</u>	<u>10,190,000</u>
Net income	<u>\$10,746,200</u>	<u>\$12,203,800</u>
Earnings per common share (based on 2,837,002 shares)	\$3.78	\$4.30

Etat consolidé non vérifié des bénéfices,
sous réserve de redressement en fin d'exercice

Semestre terminé		
le 2 juillet	le 26 juin	1976
Ventes	\$80,310,700	\$74,563,700
Coût des ventes avant calcul des postes inscrits ci-dessous	52,391,200	46,528,200
Profit d'exploitation	\$27,919,500	\$28,035,500
Autres revenus	1,600,600	1,062,900
	<u>\$29,520,100</u>	<u>\$29,098,400</u>
Provision pour amortissement	4,646,000	4,125,600
Provision pour épuisement	878,800	566,500
Amortissement d'aménagement minier	454,500	388,800
Amortissement de frais d'émission de débentures	9,500	67,100
Frais d'intérêts	1,285,100	1,556,600
	<u>\$ 7,273,900</u>	<u>\$ 6,704,600</u>
Impôts sur le revenu estimatifs	\$22,246,200	\$22,393,800
	<u>11,500,000</u>	<u>10,190,000</u>
Revenu net	\$10,746,200	\$12,203,800
Bénéfices par action ordinaire (fonds sur 2,837,002 actions)	\$3.78	\$4.30

SOCIÉTÉ ASBESTOS LIMITÉE

1940, édifice Sun Life, 1155, rue Metcalfe
Montréal, Québec, H3B 2X6

Montréal, Québec
le 19 août 1977

Aux actionnaires:

Il nous fait plaisir de présenter les états con-
solides comparatifs non vérifiés des bénéfices et de
l'évolution de la situation financière du semestre
terminé le 2 juillet 1977.

Les bénéfices nets, sur des ventes de \$80.3 mil-
lions, s'élevèrent à \$10.7 millions au regard de
\$12.2 millions sur des ventes de \$74.6 millions
l'année dernière. Durant le semestre, la dette à long
terme fut réduite de \$3.6 millions pour s'établir à
\$23.6 millions et le fonds de roulement augmenta de
\$6.9 millions pour atteindre \$65.9 millions.

Les dépenses en nouveau matériel de protection
de l'environnement se chiffrent par \$3.5 millions
au cours du premier semestre de 1977, en compa-
raison de \$0.9 million durant la période correspon-
dante du dernier exercice, ce qui témoigne du souci
constant de la compagnie d'améliorer les conditions
de travail dans nos usines et leur environnement. Il
en est résulté des améliorations sensibles. Toute-
fois, d'importantes dépenses en capital demeurent
nécessaires en vue de satisfaire aux normes d'envi-
ronnement proposées par les gouvernements fédéral
et provincial.

Les frais d'exploitation ont augmenté en consé-
quence de l'inflation, du changement aux opérations
du fait que le minéral du puits à ciel ouvert King-
Beaver est maintenant traité au moulin Normandie,
et de la provision accrue pour frais d'indemnité des
accidents du travail.

Les prix de ventes à l'exportation des catégories
de fibre d'amiante-ciment de Thetford furent
augmentés d'environ 8.5%, le 1er juillet 1977.

Le 8 août 1977, les administrateurs ont déclaré un
dividende trimestriel régulier de \$0.25 par action et
un dividende supplémentaire de \$0.25 par action,
payables tous deux le 30 septembre 1977 aux ac-
tionnaires inscrits le 10 septembre 1977.

Le président de la compagnie
et chef de la direction

M. E. Taschereau

**Société
Asbestos
Limitée**



Etat non vérifié du revenu
des six mois terminés
le 2 juillet 1977

Report of the Directors to the Shareholders



Maurice E. Taschereau

The audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 1977 are submitted herewith. Dividends totalling \$1.60 per share were paid in 1977 compared with \$1.25 per share the previous year.

Net income for the year was \$21,021,000 (\$7.40 per share) compared with \$20,422,000 (\$7.19 per share) in 1976. Sales in 1977 totalled \$145,344,000 compared with \$151,368,000 in 1976. Operating costs increased in 1977 as a result of the change in operations whereby King-Beaver open pit ore is now processed at the Normandie mill, the increased provision for Workmen's Compensation and the increased cost of labour and materials. Income taxes and interest paid were lower and sundry revenues, primarily from royalties received from leased properties, were higher.

On October 4, 1977, judgment was rendered in the Quebec Superior Court ordering Commerce and Industry Insurance Company of Canada to pay \$20,000,000 to Asbestos Corporation for property damages resulting from the fire that destroyed the King-Beaver mill in December 1974. The \$20,000,000 receivable, as well as the extraordinary income resulting therefrom, were recorded in the 1975 financial statements.

During 1977, non-current liabilities, both in Canada and in West Germany, were reduced by \$6,192,000. The \$5,000,000 of unsecured bank loan was fully repaid in 1977 as was the \$500,000 balance on the purchase price of mineral areas. The Company's overall debt position was reduced from \$27,243,000 at the end of 1976 to \$20,550,000 at the end of 1977. The debt to equity ratio at the end of the year was 1 to 6.7.

Capital expenditures totalling \$22,831,000 in 1977 were financed entirely through operating revenues. Approximately one-half of this expenditure was to improve working conditions in our plants and adjacent areas and the remainder was to modify and replace equipment and facilities.

Cash flow from operations in 1977 was \$35,238,000 and after deducting capital expenditures of \$22,831,000, debt repayment of \$6,192,000 and dividends of \$4,539,000, working capital increased by \$1,671,000 to \$60,688,000 at the end of the year (\$59,017,000 at the end of 1976).

On October 21, 1977, the Province of Quebec announced its intention to acquire control of your Company, initially through the purchase of shares held by General Dynamics (54.6%) and subsequently through

Year at a Glance	1977	1976
Sales	\$145,344,178	\$151,368,425
Income before taxes	38,413,146	40,210,069
Provision for taxes on income	17,392,000	19,788,000
Income after taxes and extraordinary items	21,021,146	20,422,069
Earnings per common share	7.40	7.19
Re-invested in the business	16,481,943	17,585,067
Working capital at year-end	60,688,276	59,017,398
Depreciation and depletion	10,882,413	9,888,337
Total assets	228,676,080	220,093,010
Paid to employees during year	48,828,086	41,230,700
Number of employees at year-end	2,351	2,268
Number of common shareholders at year-end	2,280	2,640

the acquisition of all other shares. There are no new developments to report since our letter to shareholders of February 20, 1978.

Health and Safety

In 1977, the accident frequency in our mines and mills was the lowest of all Quebec asbestos producers. This achievement is the result of providing safe working conditions and the continuing training program to upgrade the skills of our employees, supervisors and staff.

Asbestos Corporation Limited has been criticized in some quarters concerning the age of our three mills at Thetford Mines. The Normandie mill and one of the British Canadian mills were built in the early 1950's. The other British Canadian mill was built in the 1930's and 1940's. Over the years all the mill buildings have been maintained in good condition and equipment has been repaired, modified or replaced with the result that the mills are safe and efficient, producing high quality fibres which are sold throughout the world.

In 1977, approximately \$11 million was spent or committed at Thetford Mines and Asbestos Hill for environmental control purposes. In 1978, an additional \$17 million will be spent to further improve environmental conditions in our plants in accordance with our stated policy to reduce airborne asbestos fibre to the extent feasible, utilizing the best and most up-to-date technology available. The Government is fully aware of our plans in this respect. It is not necessary to build new mills to meet the dust level standards acceptable to regulatory authorities. Our mills are in good condition now and will be in excellent condition by the end of this year.

Sales

World demand for most metals and minerals was weak during all of 1976 and 1977. However, asbestos remained in strong demand throughout 1976 and the first half of 1977 as consumers rebuilt inventories depleted by the labour and operational difficulties in the Quebec mines in 1974 and 1975. World economies have not yet returned to satisfactory growth rates.

In most parts of the world, asbestos-cement products are highly utilized for water and sewer pipes and siding and roofing for homes, commercial and industrial buildings. Close to 70% of the world's supply of asbestos is consumed in asbestos-cement production. Your Company has the capacity to produce 330,000 tons of asbestos fibre per year or about 12 percent of the Western World's production. Some 85 percent of our production is in grades suitable for the asbestos-cement sector.

Environmental issues relating to the levels of airborne asbestos dust continue to be of concern to the industry. However, much has been learned about the safe manufacture and use of asbestos products and this knowledge is now being applied throughout the world. We remain confident that asbestos products which have so many essential uses will remain in demand.

The prospect for sales in the first half of 1978 will be only fair followed by some improvement in the second half. The long-term demand for asbestos appears firm, particularly in the asbestos-cement sector.

Ore Reserves

Following completion of the major expenditure program at Asbestos Hill, the ongoing exploration and diamond drilling program at Thetford Mines has significantly increased proven ore reserves at the King-Beaver and British Canadian mines. Approximately 9.7 million tons of ore were mined at Thetford and Asbestos Hill in 1977.

Proven ore reserves at year-end were as follows:

	1977	1976
	(thousands of tons)	
King-Beaver mine	73,311	29,937
British Canadian mine	85,189	53,892
Normandie mine	31,638	29,321
Asbestos Hill	18,185	17,774
Other properties	<u>17,920</u>	<u>13,700</u>
	226,243	144,624

Present proven ore reserves at Thetford Mines, assuming a 1977 mining rate of approximately 8 million tons of ore, are sufficient for over 25 years. In addition, there are 100

million tons classified as probable ore reserves and 205 million tons classified as possible ore reserves. Significant tonnage in the probable and possible categories should become proven ore as the ongoing diamond drilling program continues through 1978 and beyond.

Thetford Operations

The mines and mills in the Thetford area operated at close to capacity for most of the year. The plants were shut down for two weeks at year-end due to the increase of fibre in inventory in the latter part of the year.

After 24 years of operation, the Normandie open pit reached the end of its useful life and was closed in November 1977. The King-Beaver open pit and ore preparation plant were reactivated in May 1977 and attained full production in November. Beneficiated King-Beaver open pit ore is transported seven miles to the Normandie mill. The King-Beaver - Normandie operation will result in higher operating costs and slightly less fibre production value than the previous Normandie mine and mill operation.

The King-Beaver underground operation continued to supply non-beneficiated ore to the British Canadian plant.

A comparison of operating statistics for the Thetford Mines area during the past two years is as follows:

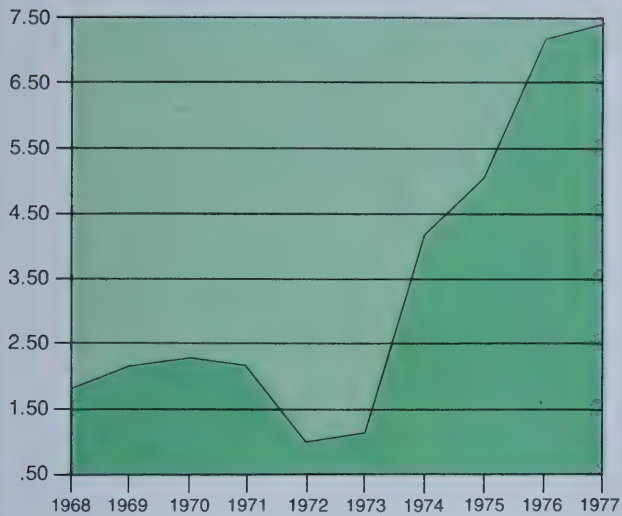
	1977	1976
	(short tons)	
Rock mined	22,882,000	22,166,000
Ore processed	8,208,000	8,295,000
Asbestos produced	209,200	221,400

The collective agreements with the hourly and syndicated staff employees expired on October 14, 1977. Negotiations to renew these agreements are underway.

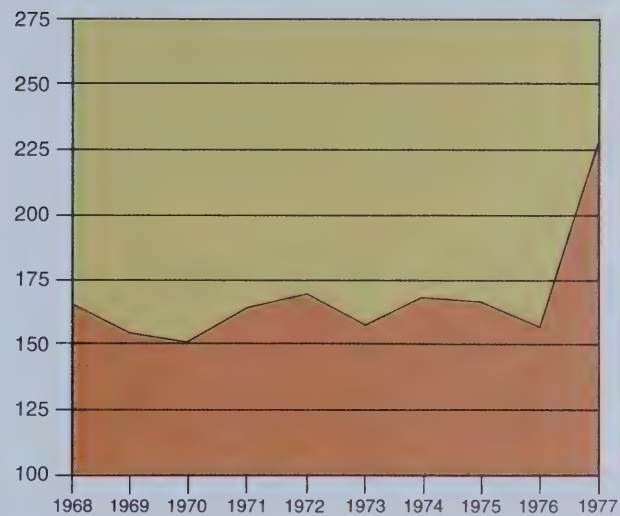
Asbestos Hill-Nordenham

The open pit and mill at Asbestos Hill (Putuniqu) in Ungava produced 258,300 tons of ungraded fibre compared with 223,700 tons in 1976. Production targets were attained and, in addition, large filter plants were installed in the mill and on the dryer exhaust gases resulting in a substantial improvement in dust levels.

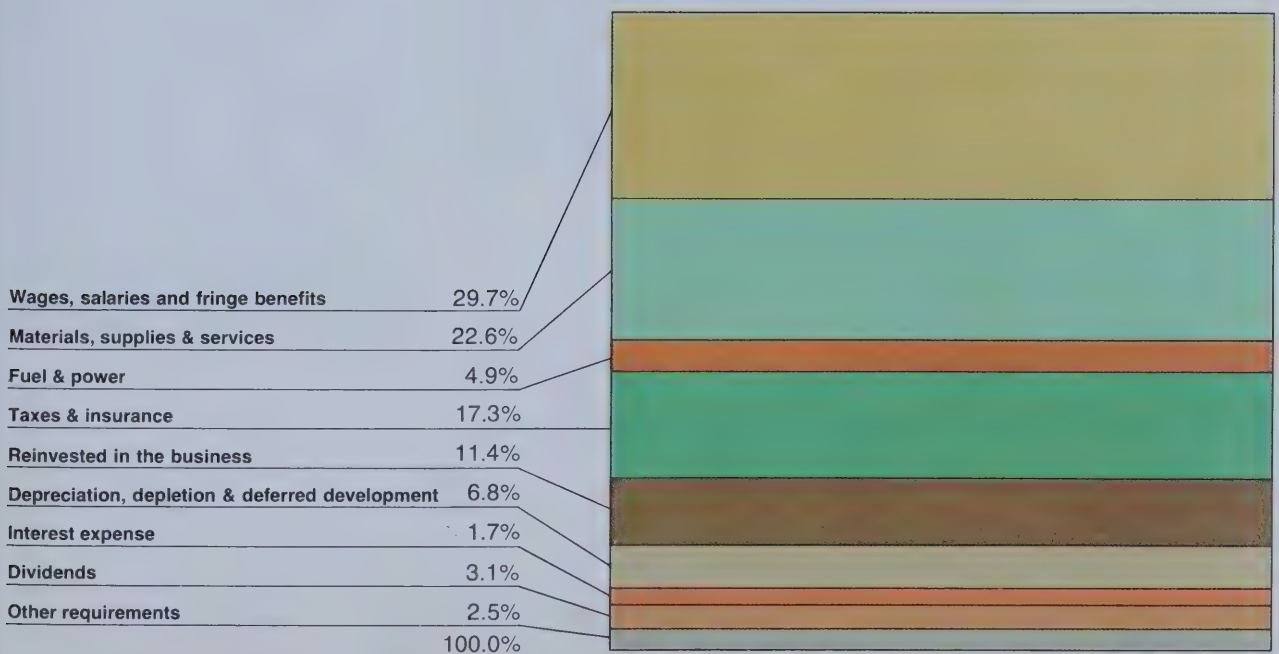
EARNINGS PER SHARE
(dollars)



PROVEN ORE RESERVES
(millions of tons at year-end)



DISTRIBUTION OF INCOME DOLLAR - 1977



An underground experimental mining program has commenced in which ore is extracted using the sub-level retreat method. Work is continuing to further define the caving characteristics of the hanging wall, drilling underground in permafrost, environmental considerations and costs of underground mining and transport. The decision on a full underground operation must await the completion of this work.

The fibre produced by the finishing mill at Nordenham in West Germany continues to be of high quality. Operations were reduced to a three-day per week basis in early October due to the decline in demand.

A comparison of operating statistics for Ungava-Nordenham follows:

	1977	1976
	(short tons)	
Rock mined	6,515,000	6,540,000
Ore processed	1,499,000	1,570,000
Ungraded fibre produced	258,300	223,700
Asbestos produced	79,300	103,500

General

Minorex Limited, the exploration company wholly-owned by your Company, was reactivated in 1977. Several interesting exploration targets were investigated and follow-up work is continuing.

The operations of the Company come within the guidelines established by the Federal Anti-Inflation Act and applicable regulations. The prices and profits margin provisions of the guidelines apply only to sales in Canada. Virtually all of your Company's production is sold to export markets. The dividends paid during the year were in accordance with the guidelines established by regulation under the Act.

Mr. Ian C. Campbell, Vice-President and Secretary of your Company for 14 years and an employee for 31 years, retired in October 1977. Miss J. M. Rousseau was appointed Secretary and General Counsel on October 31, 1977.

Mr. Alistair M. Campbell, Chairman of Sun Life Assurance Company of Canada, having reached mandatory retirement age as a director under the by-laws of the Company, will not be eligible for re-election at the forthcoming annual general meeting. Mr. Campbell has been a director of the Company for 19 years during which he participated actively in the affairs of your Company. His sound advice and substantial contributions to the affairs of the Company will be greatly missed.

The Directors record their appreciation to all employees for their contribution to the progress attained by the Company in 1977.

On behalf of the Board of Directors,

G. W. Fiske
Chairman

M. E. Taschereau
President and
Chief Executive Officer

Montreal, Quebec
5th April, 1978



(upper) Thetford Mines, Quebec — control panel for ball mills of dry type at Normandie mill.

(lower) Thetford Mines, Quebec — technicians analysing the quality of asbestos fibres.



(upper left) Thetford Mines, Quebec — technician recording the quantity of fibre in diamond drill core.

(lower left) Nordenham, West Germany — a shipment of ungraded fibre from Deception Bay, Quebec, being unloaded and conveyed to the Nordenham fibre finishing mill.

(upper right) Deception Bay, Quebec — the ungraded fibre storage shed, wharf and ship loading facilities.

(middle right) Thetford Mines, Quebec — one of six trucks, each of 110-ton capacity, transporting ore from the King-Beaver pit via a 900-foot rock tunnel, to the Normandie mill.

(lower right) British Canadian Mine, Black Lake, Quebec — open pit, crushing, drying and rock storage facilities.

Asbestos Corporation Limited and Subsidiary Companies
Société Asbestos Limitée

**Consolidated
Balance Sheet**

ASSETS

	<u>December 31</u>	
	<u>1977</u>	<u>1976</u>
Current assets:		
Cash and short-term investments	\$ 14,953,673	\$ 17,047,597
Accounts and bills receivable	20,716,862	22,490,904
Inventories (Note 2)	57,916,646	36,811,948
Amount receivable on insurance claims (received in 1977)	—	20,000,000
Prepaid taxes, insurance, etc.	943,448	838,794
	94,530,629	97,189,243
Properties , at cost less depreciation and depletion (Notes 3 and 4)	119,002,733	108,173,413
Unamortized expenditures (Notes 4 and 5)	14,393,491	13,986,545
Other assets	749,227	743,809
	\$228,676,080	\$220,093,010

Approved by the Board:

G. W. Fiske, Director

M. E. Taschereau, Director

LIABILITIES

	December 31	
	<u>1977</u>	<u>1976</u>
Current liabilities:		
Accounts payable and accrued liabilities	\$ 20,755,770	\$ 17,419,062
Income and other taxes	13,021,320	20,199,470
Installments due within one year on non-current liabilities (Note 6)	65,263	553,313
	33,842,353	38,171,845
Non-current liabilities (Note 6)	20,511,469	26,703,850
Deferred income taxes	36,710,000	34,087,000
Shareholders' equity		
Capital stock —		
Preferred shares —		
Authorized and unissued —		
500,000 shares par value \$50 each issuable in series	—	—
Common shares of no par value —		
Authorized — 3,600,000 shares		
Outstanding — 2,837,002 shares	33,311,682	33,311,682
Retained earnings (Note 7)	104,300,576	87,818,633
	137,612,258	121,130,315
	\$228,676,080	\$220,093,010

Asbestos Corporation Limited and Subsidiary Companies Soci   Asbestos Limit  

Consolidated Statement of Income

		Year ended December 31	
		1977	1976
Sales		\$145,344,178	\$151,368,425
Cost of sales, selling, general and administrative expenses		107,665,514	110,389,493
Operating profit before taking into account the undernoted items		37,678,664	40,978,932
Interest and other income		3,259,563	2,421,853
		40,938,227	43,400,785
Amortization of debenture issue expenses		23,014	76,651
Interest expense on non-current debt		2,502,067	3,114,065
		38,413,146	40,210,069
Income taxes —			
Current	\$13,892,000		\$16,430,000
Deferred	3,500,000	17,392,000	3,358,000
			19,788,000
Net income (per share:			
1977 — \$7.40			
1976 — \$7.19)		\$ 21,021,146	\$ 20,422,069

Consolidated Statement of Retained Earnings

		Year ended December 31	
		1977	1976
Retained earnings, January 1		\$ 87,818,633	\$ 70,233,566
Net income		21,021,146	20,422,069
		108,839,779	90,655,635
Dividends paid (per share: 1977 — \$1.60; 1976 — \$1.00)		4,539,203	2,837,002
Retained earnings, December 31		\$104,300,576	\$ 87,818,633

**Consolidated
Statement of
Changes in
Financial Position**

	Year ended December 31	
	<u>1977</u>	<u>1976</u>
Source of funds:		
Net income	\$ 21,021,146	\$ 20,422,069
Depreciation, depletion and amortization (Note 4)	11,594,427	10,771,966
Deferred income taxes	2,623,000	1,651,000
Funds from operations	35,238,573	32,845,035
Application of funds:		
Addition to properties and mine development	22,830,693	12,802,306
Installments due within one year on non-current liabilities (Note 6)	38,895	538,895
Purchase of 9 ³ / ₄ % sinking fund debentures Series A	220,000	2,741,000
Additional payments on bank loans— Canada	5,000,000	2,500,000
West Germany	933,486	840,138
Dividends paid	4,539,203	2,837,002
Other	5,418	(22,945)
	33,567,695	22,236,396
Increase in working capital	1,670,878	10,608,639
Working capital, January 1	59,017,398	48,408,759
Working capital, December 31	\$ 60,688,276	\$ 59,017,398

Asbestos Corporation Limited and Subsidiary Companies Société Asbestos Limitée

Notes to Consolidated Financial Statements

December 31, 1977

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of consolidation—

The consolidated financial statements include the accounts of the Company and subsidiaries, all of which are wholly-owned. All inter-company items and transactions are eliminated on consolidation.

Translation of foreign currencies—

Asset and liability accounts in currencies other than Canadian are translated into Canadian dollars at year-end rates of exchange except that certain inventories, fixed assets (and related depreciation) and non-current liabilities are at rates prevailing at dates of production, acquisition or borrowing. Income and expense accounts, except certain inventories and depreciation, are translated at average rates prevailing during the year. A net exchange gain in 1977 of \$372,600 has been credited to income (1976 — a gain of \$732,565).

Inventories—

Asbestos and ungraded fibre are stated at the lower of cost and estimated net realizable value; supplies are stated at cost.

Properties—

Properties including mine development expenditures are stated at cost less applicable depreciation, depletion and amortization. The provisions for depletion of mineral areas and amortization of mine development expenditures are calculated so as to write off the cost of the assets on the unit-of-production method based on the recoverable ore as estimated by Company management. The provision for depreciation of plant and equipment, roads and marine structures is calculated on a straight-line basis over a period which is the shorter of the estimated useful life of the asset or of the related orebody.

Deferred income taxes—

Provision is made for deferred income taxes resulting from deducting certain expense items for tax purposes (principally depreciation and mine development expenditure) in periods different from those used for financial reporting purposes and from making allowance for deferred income taxes in respect of the insurance proceeds received.

2. INVENTORIES:

	<u>1977</u>	<u>1976</u>
Asbestos	\$ 12,954,817	\$ 1,752,974
Ungraded asbestos fibre	26,574,864	19,435,629
Supplies	18,386,965	15,623,345
	<u>\$ 57,916,646</u>	<u>\$ 36,811,948</u>

3. PROPERTIES, AT COST LESS DEPRECIATION AND DEPLETION:

	<u>1977</u>	<u>1976</u>
Thetford Mines, Quebec—		
Land and mineral areas	\$ 10,014,062	\$ 10,038,633
Less: Accumulated depletion	<u>6,447,925</u>	<u>5,782,340</u>
	3,566,137	4,256,293
Plant and equipment	74,509,129	62,722,243
Less: Accumulated depreciation	<u>42,867,460</u>	<u>41,002,191</u>
	31,641,669	21,720,052
	<u>35,207,806</u>	<u>25,976,345</u>
Ungava, Quebec—		
Mining leases and exploration costs	13,717,000	13,717,000
Less: Accumulated depletion	<u>2,867,914</u>	<u>1,916,066</u>
	10,849,086	11,800,934
Plant and equipment, roads and marine structures	76,104,255	72,488,722
Less: Accumulated depreciation	<u>19,082,505</u>	<u>16,710,517</u>
	57,021,750	55,778,205
Less: Credit arising on exchange of common shares for mining leases	<u>2,088,699</u>	<u>2,088,699</u>
	65,782,137	65,490,440
Nordenham, West Germany—		
Plant and equipment and marine structures	24,462,873	20,615,313
Less: Accumulated depreciation	<u>6,889,193</u>	<u>4,347,795</u>
	17,573,680	16,267,518
Land	439,110	439,110
	<u>18,012,790</u>	<u>16,706,628</u>
	<u>\$119,002,733</u>	<u>\$108,173,413</u>

4. DEPRECIATION, DEPLETION AND AMORTIZATION:

Total amounts provided in each of the years 1977 and 1976 are as follows:

	<u>1977</u>	<u>1976</u>
Provision for depreciation	\$ 9,264,981	\$ 8,615,222
Provision for depletion	1,617,432	1,273,115
Amortization of expenditures shown in Note 5	<u>712,014</u>	<u>883,629</u>
	<u>\$ 11,594,427</u>	<u>\$ 10,771,966</u>

5. UNAMORTIZED EXPENDITURES:

	<u>1977</u>	<u>1976</u>
Exploration and mine development	\$ 14,159,574	\$ 12,489,224
Repair costs to leased facilities	—	1,240,390
Debenture issue	233,917	256,931
	<u>\$ 14,393,491</u>	<u>\$ 13,986,545</u>

The leased facilities were purchased in 1977 resulting in a transfer of their unamortized repair costs to properties.

6. NON-CURRENT LIABILITIES:

	<u>1977</u>	<u>1976</u>
9¾% Sinking fund debentures Series A maturing July 15, 1990. Annual sinking fund requirements are \$1,000,000. Debentures in the face amount of \$3,112,000 have been purchased in anticipation of requirements for future years	\$ 12,888,000	\$ 13,108,000
Secured bank loans under credit agreements for West German DM 24,625,000 due DM 3,425,000 through 1986 at various rates of interest ranging annually from 5½% to 9½%. Advance repayments of DM 5,700,000 have been made	7,662,364*	8,634,745
Unsecured bank loan (fully repaid in 1977)	—	5,000,000
Balance of purchase price of mineral areas	—	500,000
	20,550,364	27,242,745
Less: Installments due within one year included in current liabilities (equivalent, after conversion of German portion at year-end rate of exchange, to \$65,263; 1976 — \$553,313)	38,895	538,895
	<u>\$ 20,511,469</u>	<u>\$ 26,703,850</u>

*The Canadian dollar equivalent has been expressed at the exchange rate prevailing at the dates of borrowing. If translated at the exchange rate prevailing at December 31, 1977, the Canadian dollar equivalent of this debt, after deducting the installment due in 1978, would be increased by \$5,129,086.

7. DIVIDEND RESTRICTIONS:

Pursuant to certain provisions of the trust agreement relating to the 9¾% sinking fund debentures \$41,109,061 of the retained earnings of \$104,300,576 at December 31, 1977 is not available for the payment of cash dividends on the common shares.

8. REMUNERATION OF DIRECTORS AND OFFICERS:

The remuneration of eleven directors and of two past directors up to the dates of their retirement amounted to \$44,380 (1976 — \$34,985). The remuneration of eight officers, of whom four were also directors, and five past officers amounted to \$459,250 (1976 — \$427,971) exclusive of any remuneration paid to them in their capacity as directors.

9. CONTINGENT AND UNFUNDED LIABILITIES:

The Company is contingently liable for \$397,845 in respect of customers' notes discounted with the Company's Bankers.

The unfunded past service liability under the Company's pension plans as at December 31, 1977 is estimated to be \$5,700,000. The Company intends to pay and to charge operations with the foregoing amount over a period which will not extend beyond the year 1990 as permitted by applicable legislation.

The Company is one of a number of Canadian and United States producers of asbestos fibre and manufacturers of asbestos products which are defendants in several actions in substantial amounts in the United States for personal injury damages allegedly relating to exposure to asbestos dust. The Company maintains insurance policies against such potential liability. In addition, the Company denies all liability in these actions which are being vigorously contested.

10. FEDERAL GOVERNMENT ANTI-INFLATION PROGRAM:

The Company's operations in Canada are subject to the controls established by the Federal Government in the Anti-Inflation Act which legislation provides for restraint of dividends, prices, employee compensation and profit margins. The Company has complied with all the relevant provisions of the Act.

11. ANNOUNCEMENT BY THE QUEBEC GOVERNMENT:

On October 21, 1977 the Government of Quebec announced its intention to acquire control of the Company, initially through the purchase of General Dynamics Corporation's 54.6 percent shareholding, and subsequently through the acquisition of all other shares.

Auditors' Report

To the Shareholders of
Asbestos Corporation Limited
Société Asbestos Limitée

January 27, 1978

We have examined the consolidated balance sheet of Asbestos Corporation Limited — Société Asbestos Limitée as at December 31, 1977 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Price Waterhouse & Co.
Chartered Accountants
1200 McGill College Avenue
Montreal, Quebec H3B 2G4

Asbestos Corporation Limited and Subsidiary Companies

Soci  t   Asbestos Limit  e

10 Year Summary

	1977	1976	1975
Sales	\$145,344,178	\$151,368,425	\$ 84,834,178
Income before taxes	38,413,146	40,210,069	14,334,312
Provision for taxes on income	17,392,000	19,788,000	6,720,000
Income after taxes and extraordinary items	21,021,146	20,422,069	14,239,312
Earnings per common share (assuming conversion of preferred stock)	7.40	7.19	5.12
Dividends paid per (a) preferred share	—	—	—
(b) common share	1.60	1.25	—
Paid to shareholders as dividends (a) preferred shares	—	—	—
(b) common shares	4,539,203	3,546,253	—
Total	4,539,203	3,546,253	—
Re-invested in the business	16,481,943	17,585,067	13,530,000
Depreciation and depletion	10,882,413	9,888,337	9,037,200
Total assets	228,676,080	220,063,010	191,679,600
Paid to employees during the year	48,828,086	41,230,700	23,899,200
Number of employees at year-end	2,351	2,298	2,111
Number of common shareholders at year-end	2,280	2,640	2,911

1968	1969	1970	1971	1972	1973	1974	1975
6,647	2,234	5,102	2,294	2,386	2,421	1,798	3,307
15,680,615	82,638,538	85,169,259	17,638,673	22,889,982	26,421,565	31,187,968	176,575,127
2,559,408	2,895,338	3,140,260	3,337,666	4,605,383	7,377,183	8,930,533	11,850,032
2,044,576	3,303,536	3,577,913	3,819,512	99,437	1,276,651	1,706,177	2,829,165
2,829,165	2,835,594	2,837,002	2,837,002	1,276,651	—	—	—
2,581,665	2,835,594	2,837,002	2,837,002	1,276,651	—	—	—
247,500	—	—	—	—	—	—	—
1.00	1.00	1.00	1.00	0.45	—	—	—
4.50	—	—	—	—	—	—	—
1.79	2.16	2.26	2.17	0.48	0.60	4.17	11,850,032
4,873,741	6,139,130	6,414,915	6,156,514	1,376,088	1,706,177	2,995,000	21,142,229
2,995,000	4,032,000	4,190,000	3,748,000	741,000	650,000	1,381,177	2,117,088
7,868,741	10,171,130	10,604,915	9,954,514	2,117,088	1,381,177	49,520,868	52,320,410
\$ 43,631,836	\$ 50,365,690	\$ 53,583,354	\$ 53,320,410	\$ 49,520,868	\$ 66,209,138	\$ 108,475,180	\$ 66,209,138

Sommaire des 10 dernières années

Sommaire des 10 dernières années		
1977	1976	1975
Ventes	\$ 84,834,41	\$ 84,834,41
Bénéfice avant impôts	38,413,146	40,210,069
Provision pour impôts sur le revenu	17,392,000	19,788,000
Bénéfice après impôts et les postes extraordinaires	21,021,146	20,422,069
Bénéfices par action ordinaire (en présupposant la conversion des actions privilégiées)	7.40	7.19
Dividendes par: (a) action privilégiée	—	—
(b) action ordinaire	1.60	1.25
Dividendes versés aux actionnaires: (a) actions privilégiées	—	—
(b) actions ordinaires	4,539,203	3,546,253
Total	4,539,203	3,546,253
Bénéfices réinvestis dans l'entreprise	16,481,943	17,585,067
Amortissement et épuisement	10,882,413	9,888,337
Actif global	228,676,080	220,093,010
Montant payé aux employés pendant l'exercice	48,828,086	41,230,700
Nombre d'employés à la fin de l'exercice	2,351	2,268
Nombre de détenteurs d'actions ordinaires à la fin de l'exercice	2,280	2,640

1974	1973	1972	1971	1970	1969	1968
\$108,475,180	\$ 66,209,138	\$ 49,520,868	\$ 52,320,410	\$ 53,583,354	\$ 50,365,690	\$ 43,631,836
21,142,229	1,381,177	2,117,088	9,954,514	10,604,915	10,171,130	7,868,741
9,635,197	650,000	741,000	3,748,000	4,190,000	4,032,000	2,995,000
11,850,032	1,706,177	1,376,088	6,156,514	6,414,915	6,139,130	4,873,741
4.17	0.60	0.48	2.17	2.26	2.16	1.79
—	—	—	—	—	—	4.50
—	—	0.45	1.00	1.00	1.00	1.00
—	—	—	—	—	—	247,500
—	—	1,276,651	2,837,002	2,837,002	2,835,594	2,581,665
—	—	1,276,651	2,837,002	2,837,002	2,835,594	2,829,165
11,850,032	1,706,177	99,437	3,319,512	3,577,913	3,303,536	2,044,576
8,830,533	7,377,183	4,605,383	3,337,666	3,140,260	2,895,338	2,559,408
176,575,127	166,313,282	162,074,401	143,580,262	115,159,867	85,169,259	82,638,538
31,187,968	26,421,565	22,889,982	20,586,137	19,083,867	17,638,673	15,680,615
1,798	2,421	2,386	2,324	2,343	2,294	2,234
3,307	3,549	3,794	3,973	4,507	5,102	6,647

opérations le montant qui précède sur une période qui ne se prolongera pas au-delà de 1990 tel que le prévoit la législation pertinente.

La compagnie compte parmi un certain nombre de producteurs de fibre d'amiante et fabricants de produits d'amiante du Canada et des États-Unis qui forment partie défenderesse dans plusieurs actions en dommages de montants considérables, aux États-Unis, pour préjudice corporel causé par l'exposition à la poussière d'amiante. La compagnie détient des polices d'assurance contre cette responsabilité éventuelle. En outre, la compagnie refuse toute responsabilité dans ces poursuites qui sont vigoureusement contestées.

10. PROGRAMME DE LUTTE ANTI-INFLATION DU GOUVERNEMENT FÉDÉRAL:

L'exploitation de la compagnie au Canada est assujettie aux contrôles institués par le gouvernement fédéral aux termes de la Loi anti-inflation qui prévoit des restrictions à l'égard des dividendes, des prix, de la rémunération des employés et des marges bénéficiaires. La compagnie s'est conformée à toutes les dispositions pertinentes de la Loi.

11. ANNONCE FAITE PAR LE GOUVERNEMENT DU QUÉBEC:

Le 21 octobre 1977, le gouvernement du Québec annonçait son intention d'acquiescer le contrôle de la compagnie, tout d'abord par l'achat des actions détenues par General Dynamics Corporation, soit 54,6% et ensuite par l'acquisition de toutes les autres actions.

Aux actionnaires de la
Société Asbestos Limitée
Le 27 janvier 1978

Nous avons vérifié le bilan consolidé de la Société Asbestos Limitée au 31 décembre 1977 ainsi que l'état consolidé des résultats, l'état consolidé des bénéfices non répartis et l'état consolidé de l'évolution de la situation financière de l'exercice terminé à cette date. Notre vérification a été effectuée conformément aux normes de vérification généralement reconnues, et a comporté par conséquent les sondages et autres procédés que nous avons jugés nécessaires dans les circonstances.

À notre avis, ces états financiers consolidés présentent fidèlement la situation financière de la compagnie au 31 décembre 1977 ainsi que les résultats de son exploitation et l'évolution de sa situation financière pour l'exercice terminé à cette date selon les principes comptables généralement reconnus, appliqués de la même manière qu'au cours de l'exercice précédent.

Price Waterhouse & Co.

Price Waterhouse & Co
Comptables agréés
1200, avenue McGill College, Montréal, Québec H3B 2G4

3. IMMOBILISATIONS, AU COÛT MOINS AMORTISSEMENT ET ÉPUISEMENT:

Thetford Mines, Québec — Terrains miniers et autres		
Moins: épuisement accumulé	6,447,925	\$ 10,014,062
Installations	3,566,137	
Moins: amortissement accumulé	74,509,129	
	42,867,460	31,641,669
	21,720,052	35,207,806
Ungava, Québec — Baux miniers et frais d'exploration		
Moins: épuisement accumulé	2,867,914	13,717,000
Installations, routes et structures maritimes	76,104,255	
Moins: amortissement accumulé	19,082,505	
Moins: crédit provenant de l'échange d'actions ordinaires contre des baux miniers	2,088,699	65,782,137
Nordenham, Allemagne occidentale — Installations et structures maritimes	6,889,193	24,462,873
Moins: amortissement accumulé	17,573,680	
Terrain	439,110	18,012,790
	16,706,628	\$119,002,733
	\$108,173,413	

4. AMORTISSEMENTS ET ÉPUISEMENT:

Les montants globaux prévus pour chacun des exercices 1977 et 1976 s'établissent comme suit:		
Provision pour amortissement	\$ 9,264,981	\$ 8,615,222
Provision pour épuisement	1,617,432	1,273,115
Amortissement des dépenses indiquées à la note 5	712,014	883,629
	\$ 11,594,427	\$ 10,771,966

5. DÉPENSES NON AMORTIES:

Exploration et mise en valeur de mines	\$ 14,159,574	\$ 12,489,224
Frais de réparation des installations louées	—	1,240,390
Emission de déventures	233,917	256,931
	\$ 14,393,491	\$ 13,986,545
Les installations louées ont été acquises en 1977, ce qui a occasionné le transfert aux immobilisations de leurs frais de réparation non amortis.		

1. RÉSUMÉ DES PRATIQUES COMPTABLES IMPORTANTES:

Principes de consolidation —

Les états financiers consolidés comprennent les comptes de la compagnie et de ses filiales, toutes détenues en propriété exclusive. Les postes et les opérations intercompagnies sont tous exclus de la consolidation.

Conversion des monnaies étrangères —

Les comptes de l'actif et du passif qui ne sont pas en monnaie canadienne sont convertis en dollars canadiens aux taux de change de fin d'exercice, à l'exception de certains stocks, l'immobilisation (et l'amortissement qui s'y rattache) et du passif à long terme, lesquels sont convertis aux taux en cours aux dates de production, d'acquisition ou d'emprunt. Les comptes de revenus et de charges, à l'exception de certains stocks et de l'amortissement, sont convertis aux taux moyens en cours durant l'exercice. En 1977, un gain net de \$732,600 a été crédité au revenu (1976, un gain net de \$732,565).

Stocks —

L'amiante et la fibre non classée sont évalués au plus bas du coût ou de la valeur nette estimée de réalisation; les fournitures sont au coût.

Immobilisations —

Les immobilisations, y compris les frais de mise en valeur de mines, sont indiquées au coût moins l'amortissement et épuisement applicables. Les provisions pour épuisement de terrains miniers et l'amortissement des frais de mise en valeur de mines sont calculés de manière à radier le coût des éléments d'actif selon la méthode des unités de production fondée sur le minéral récupérable tel qu'estimé par la direction de la compagnie. La provision pour amortissement des installations, des routes et des constructions maritimes est calculée selon la méthode de l'amortissement constant sur une période équivalant à la plus courte de la durée prévue d'utilisation de l'actif ou du gisement en cause.

Impôts sur le revenu reportés —

Une provision a été constituée pour les impôts sur le revenu reportés découlant de la déduction de certaines charges pour fins d'impôts (principalement l'amortissement et les frais de mise en valeur de mines) sur des périodes différentes de celles qui servent aux fins de rapports financiers, et des provisions pour impôts sur le revenu reportés en ce qui concerne les indemnités d'assurance reçues.

2. STOCKS:

	1977	1976
Amiante	\$ 12,954,817	\$ 1,752,974
Fibre d'amiante non classée	26,574,864	19,435,629
Fournitures	18,386,965	15,623,345
	\$ 57,916,646	\$ 36,811,948

**État consolidé
de l'évolution
de la situation
financière**

Provenance des fonds:

Bénéfice net

Amortissement et épuisement (note 4)

Impôts sur le revenu reportés

Fonds provenant de l'exploitation

Utilisation des fonds:

Acquisition d'immobilisations et mise en

valeur de mines

Portion du passif à long terme

échéant à moins d'un an (note 6)

Achat de débentures à fonds d'amortissement,
9 3/4%, série A

Versements additionnels sur emprunts bancaires —
Canada

Allemagne occidentale

Dividendes versés

Autres

Augmentation du fonds de roulement

Fonds de roulement au 1^{er} janvier

Fonds de roulement au 31 décembre

Exercice terminé le 31 décembre	1976	1977
	\$ 20,422,069	\$ 21,021,146
	10,771,966	11,594,427
	1,651,000	2,623,000
	32,845,035	35,238,573
	12,802,306	22,830,693
	538,895	38,895
	2,741,000	220,000
	2,500,000	5,000,000
	840,138	933,486
	2,837,002	4,539,203
	(22,945)	5,418
	22,236,396	33,567,695
	10,608,639	1,670,878
	48,408,759	59,017,398
	\$ 59,017,398	\$ 60,688,276

Etat consolidé
des résultats

	1977	1976
Ventes	\$145,344,178	\$151,368,425
Coût des marchandises vendues, frais de vente, frais généraux et d'administration	107,665,514	110,389,493
Bénéfice d'exploitation compte non tenu des postes suivants	37,678,664	40,978,932
Intérêts et autres revenus	3,259,563	2,421,853
Amortissement des frais d'émission	40,938,227	43,400,785
Frais d'intérêt sur le passif à long terme	23,014	76,651
	2,502,067	3,114,065
Impôts sur le revenu —	38,413,146	40,210,069
exigibles		
reportés		
Bénéfice net (par action:	17,392,000	19,788,000
1977 — \$7.40		
1976 — \$7.19)		
	\$ 21,021,146	\$ 20,422,069

Etat consolidé
des bénéfices
non répartis

	1977	1976
Bénéfices non répartis au 1er janvier	\$ 87,818,633	\$ 70,233,566
Bénéfice net	21,021,146	20,422,069
Dividendes versés (par action: 1977 — \$1.60; 1976 — \$1.00)	108,839,779	90,655,635
Bénéfices non répartis au 31 décembre	4,539,203	2,837,002
	\$104,300,576	\$ 87,818,633

PASSIF

Passif à court terme:

Créanciers et frais courus

Impôts sur le revenu et taxes diverses

Portion du passif à long terme échéant

à moins d'un an (note 6)

Passif à long terme (note 6)

Impôts sur le revenu reportés

Avoir des actionnaires:

Capital-actions —

Actions privilégiées —

Autorisées et non émises —

500,000 actions d'une valeur nominale de \$50

chacune, pouvant être émises en série

Actions ordinaires sans valeur nominale —

Autorisées — 3,600,000 actions

En circulation — 2,837,002 actions

Bénéfices non répartis (note 7)

	1977	1976
		31 décembre
\$ 20,755,770	13,021,320	\$ 17,419,062
		20,199,470
65,263	33,842,353	553,313
		38,171,845
20,511,469		26,703,850
36,710,000		34,087,000
\$ 228,676,080	137,612,258	\$ 220,093,010
		121,130,315
		87,818,633
33,311,682	104,300,576	33,311,682

Bilan
consolidé

ACTIF		
Actif à court terme:		
Encaisse et placements à court terme	\$ 14,953,673	\$ 17,047,597
Débiteurs et effets à recevoir	20,716,862	22,490,904
Stocks (note 2)	57,916,646	36,811,948
Montant à recevoir en indemnités d'assurance (encaissé en 1977)	—	20,000,000
Taxes, assurances et autres frais payés d'avance	943,448	838,794
	94,530,629	97,189,243
Immobilisations, au coût moins amortissement et épuisement (notes 3 et 4)	119,002,733	108,173,413
Dépenses non amorties (notes 4 et 5)	14,393,491	13,986,545
Autres éléments d'actif	749,227	743,809

<u>\$228,676,080</u>	<u>\$220,093,010</u>
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Approuvé pour le conseil d'administration:
G. W. Fiske, administrateur
M. E. Taschereau, administrateur

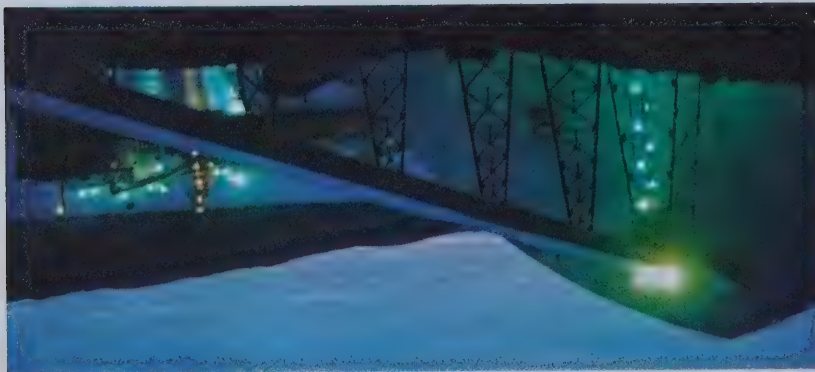
(en haut, à gauche) Theftord Mines, Québec — enregistrement de la quantité de fibres dans des carottes extraites par forage au diamant.

(en bas, à gauche) Nordenham, Allemagne Fédérale — une cargaison de fibre non traitée en provenance de Baie Déception (Québec) est déchargée et achevée vers le moulin de finition de la fibre de Nordenham.

(en haut, à droite) Baie Déception, Québec — l'entrepôt de fibre non classée, le quai et les installations de chargement des navires.

(au centre, à droite) Theftord Mines, Québec — l'un des six camions d'une contenance de 110 tonnes qui transporte du minéral en provenance de la mine King Beaver, en passant par un tunnel de 900 pieds creusé dans le roc, et jusqu'au moulin Normandie.

(en bas, à droite) Mine British Canadian, Black Lake, Québec — mine à ciel ouvert, et installations de concassage, séchage et d'entreposage de minéral.



À titre expérimental, on effectue actuellement l'extraction souterraine du minerai en utilisant la méthode de rabattement par sous-niveaux. On continue également d'étudier les caractéristiques de foudroyage du toit, les forages en profondeur à travers le pergélisol, les questions touchant l'environnement et le coût de l'exploitation souterraine et des transports. La décision à prendre concernant l'exploitation continue en sous-sol dépend des résultats de cette étude.

La fibre produite au moulin de finition de Nordenham, en Allemagne

En 1977, la mine à ciel ouvert d'Asbestos Hill (Putunig), dans l'Ungava, et son moulin ont produit 258,300 tonnes de fibre non classée, en 1976. Les objectifs de production ont été atteints; de plus, on a mis en place des dispositifs de filtration plus considérables au moulin ainsi que pour les gaz d'échappement du sécheur, ce qui a sensiblement réduit les quantités de poussière dans l'air.

Activités Asbestos Hill-Nordenham

Les conventions collectives avec les employés à salaire horaire et les membres du personnel syndiqués expirèrent le 14 octobre 1977. Les négociations sont en cours en vue de leur renouvellement.

Roche extraite	22,166,000	221,400
Minéral traité	8,295,000	209,200
Amiante obtenu	221,400	

Thetford Mines: Les chiffres ci-après permettent de comparer les statistiques d'exploitation pour la région de

L'exploitation souterraine King Beaver enrichi à l'usine British Canadian. a continué à fournir du minerai non moulin Normandie. minéral Normandie était traité au situation antérieure, alors que le produit, comparativement à la diminution de valeur de la fibre des coûts d'exploitation et une légère entrainera une certaine augmentation L'opération King Beaver-Normandie milles jusqu'au moulin Normandie transporté sur une distance de sept minéral enrichi de King Beaver est pleine production en novembre. Le 1977 et atteignaient leur niveau de

M. Alistair M. Campbell, président du Conseil de la Compagnie d'assurance Sun Life du Canada, ayant atteint l'âge de retraite obligatoire d'après les statuts de la compagnie, ne sera pas rééligible aux fonctions d'administrateur à la prochaine assemblée générale annuelle. M. Campbell a fait partie du conseil d'administration de la compagnie pendant 19 ans et a toujours participé activement à la bonne marche de celle-ci. Ses conseils judicieux et sa participation active aux affaires de la compagnie seront vivement regrettés.

31 octobre 1977. M. Ian C. Campbell, vice-président et secrétaire depuis 14 ans, a pris sa retraite en octobre 1977 après 31 années de service à la compagnie. Mlle J. M. Roussseau a été nommée secrétaire et chef du contentieux le 31 octobre 1977.

Les activités de la compagnie tombent sous le coup des indicateurs établis par la loi fédérale de lutte contre l'inflation et des règlements qui s'y rattachent. Les dispositions des indicateurs concernant les prix et les marges de profits s'appliquent aux seules ventes effectuées au Canada. Or, la presque totalité de la production de la compagnie est destinée aux marchés étrangers. Les dividendes versés au cours de l'exercice étaient conformes aux directives établies par ces règlements.

La société d'exploration Minorex Limited, détenue en propriété exclusive par votre compagnie, a été remise en activité en 1977. On a sondé plusieurs gisements intéressants et les recherches se poursuivent actuellement suite aux travaux entrepris.

Voici les statistiques comparées d'exploitation pour l'Ungava-Nordenham:

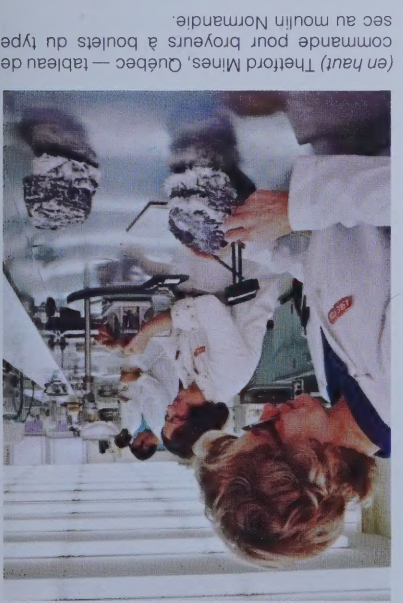
Roche extraite	6,515,000	1,570,000
Minéral traité	1,499,000	6,540,000
Fibre non classée	258,300	103,500
Amiante obtenu	103,500	

Les administrateurs expriment leurs sincères remerciements à tous les employés pour leur contribution au progrès de la compagnie pendant l'exercice écoulé.

Au nom du conseil d'administration, G. W. Fiske, Le président du conseil, Le président de la compagnie et chef de la direction M. E. Taschereau Montréal, Québec le 5 avril 1978

(en bas) Thetford Mines, Québec — analyse de sec au moulin Normandie.

(en haut) Thetford Mines, Québec — tableau de commande pour broyeurs à boulets du type



Rapport des administrateurs aux actionnaires



Maurice E. Taschereau

Vous trouverez ci-après les états financiers consolidés et vérifiés de la compagnie et de ses filiales pour l'exercice terminé le 31 décembre 1977. Des dividendes totalisant \$1,60 par action ont été versés en 1977 comparativement à \$1,25 par action au cours de l'exercice précédent.

Les bénéfices nets pour l'exercice s'établissent à \$21,021,000 (\$7,40 par action) à comparer à \$20,422,000 (\$7,19 par action) pour l'exercice 1976. Les ventes de l'exercice écoulé se chiffrent par \$145,344,000 comparativement à \$151,368,000 pour 1976. Les frais d'exploitation au cours de l'exercice 1977 ont augmenté par suite du changement du lieu de traitement du minerai de la mine à ciel ouvert King Beaver, qui s'effectue maintenant au moulin Normandie, ainsi que de l'augmentation des provisions quant aux prestations relatives aux accidents de travail et du coût accru de la main-d'oeuvre et des matériaux. Les montants versés en impôts sur le revenu et en intérêts ont été moindres, tandis que les revenus divers, provenant surtout de redevances pour les terrains loués, ont été plus élevés.

Le 4 octobre 1977, la Cour supérieure du Québec rendit

financiers de 1975. En 1977, le passif à long terme, tant au Canada qu'en Allemagne occidentale, a été réduit de \$6,192,000. Le solde de \$5,000,000 de l'emprunt bancaire non garanti a été entièrement remboursé, ainsi que le solde de \$500,000 sur le prix d'achat des terrains à minéral. La dette globale de la compagnie, de \$27,243,000 qu'elle était à la fin de 1976, a été réduite à \$20,550,000 à la fin de 1977. Au terme de l'exercice, le rapport dette/avoir des actionnaires était de 1 à 6,7.

Au cours de l'exercice, les dépenses en immobilisations totalisant \$22,831,000 ont été entièrement financées à même les revenus d'exploitation. La moitié de ces dépenses ont été consacrées à l'amélioration des conditions de travail dans nos usines et dans leur voisinage et le reste à la modification

Faits saillants de l'exercice	1977	1976
Ventes	\$145,344,178	\$151,368,425
Bénéfice avant impôts	38,413,146	40,210,069
Provision pour impôts sur le revenu	17,392,000	19,788,000
Bénéfice après impôts et postes extraordinaires	21,021,146	20,422,069
Bénéfices par action ordinaire	7.40	7.19
Bénéfices réinvestis dans l'entreprise	16,481,943	17,585,067
Fonds de roulement en fin d'exercice	60,688,276	59,017,398
Amortissement et épuisement	10,882,413	9,888,337
Actif global	228,676,080	220,093,010
Payé aux employés durant l'exercice	48,828,086	41,230,700
Nombre d'employés durant l'exercice	2,351	2,268
Nombre de détenteurs d'actions ordinaires à la fin de l'exercice	2,280	2,640



Administrateurs

W. A. ARBUCKLE (1) (2) (3)
Président, Celanese Canada Limited
Montréal

P. E. AUGER, Ing., Ph.D.
Géologue-conseil
Québec

A. M. CAMPBELL (1) (3)
Président du conseil d'administration
Sun Life du Canada
compagnie d'assurance-vie
Montréal

M. P. CARSON
Vice-président exécutif
Montréal

R. A. DUGRE
Président, Ecole de
technologie supérieure
Montréal

G. W. FISKE (1) (3)
Vice-président exécutif – affaires
commerciales
General Dynamics Corporation
St. Louis, Missouri

F. R. KEARNS (1) (2)
Président, Canadair Limited
Montréal

G. E. MACDONALD (1) (3)
Vice-président exécutif – finances
General Dynamics Corporation
St. Louis, Missouri

M. J. O'BRIEN (2)
Président, Marblehead Lime Company
Chicago, Illinois

W. G. SULLIVAN (1) (3)
Vice-président – Relations industrielles
General Dynamics Corporation
St. Louis, Missouri
M. E. TASCHEREAU (1)
Président et chef de la direction
Montréal

(1) — Membre du comité exécutif
(2) — Membre du comité de vérification
(3) — Membre du comité de rémunération

Membres de la direction

G. W. FISKE
Président du conseil d'administration

G. E. MACDONALD
Vice-président du conseil
d'administration

M. E. TASCHEREAU
Président et chef de la direction
M. P. CARSON
Vice-président exécutif

W. H. FOSTER
Vice-président – exploitation
A. S. JOHNSON
Vice-président – ventes

G. A. McCAMMON
Vice-président – finances
J. M. ROUSSEAU
Secrétaire et chef
du contenu

Agents de transfert et registraire:
Compagnie Trust Royal
Montréal, Toronto et Calgary

Verificateurs:
Price Waterhouse & Cie
Montréal

Siège social

Bureau 1940
Édifice Sun Life
155, rue Metcalfe
Montréal, Québec, Canada H3B 2X6
et ses filiales:

ANCHOR HOLDINGS LIMITED
(Constituée en vertu des lois des
Iles Bahamas le 25 janvier 1962)
ASBESTOS CORPORATION GmbH
(Constituée en vertu des lois de
la République Fédérale de l'Allemagne
le 4 juillet 1970)

ASBESTOS CORPORATION
SERVICES LIMITED
(Constituée en vertu des lois du
Canada le 6 juillet 1960)

GENERAL MINERALS
BENEFICIATION LIMITED
(Constituée en vertu des lois du
Canada le 20 janvier 1953)

HUDSON STRAIT ASBESTOS
LIMITED
(Constituée en vertu des lois de la
Province de Québec le 17
janvier 1963)

MINOREX LIMITED
(Constituée en vertu des lois du
Canada le 19 mars 1951)

ASBESTOS

Rapport Annuel 1977

Société Asbestos Limitée